

ARKANSAS CITY RECREATION COMMISSION

ACCOUNTANT'S AUDIT REPORT

For the Twelve Months Ended
June 30, 2015

Prepared by

Kent R. Bassford
Certified Public Accountant

ARKANSAS CITY RECREATION CENTER

Annual Financial Report

Year Ended June 30, 2015

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Independent Auditor's Report

January 19, 2016

Members of the Arkansas City Recreation Commission
Arkansas City, Kansas 67005

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Arkansas City Recreation Commission as of and for the year ended June 30, 2015 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on our audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Arkansas City Recreation Center to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than the accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

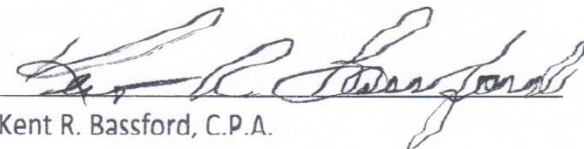
In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Arkansas City Recreation Commission as of June 30, 2015, or changes in financial position and cash flows for the year ended.

Opinion on Regulatory Basis of Accounting

In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Arkansas City Recreation Commission as of June 30, 2015, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and disbursements-actual and budget Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.



Kent R. Bassford, C.P.A.

January 19, 2016

ARKANSAS CITY RECREATION COMMISSION
SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
REGULATORY BASIS
For The Year Ended June 30, 2015

Funds	Beginning Unencum- bered Cash Balance	Prior Year Cancelled Encum- brances	Cash Receipts	Expenditures
Governmental type Funds:				
General	\$ 230,948	\$ -	\$ 844,366	\$872,252
Employee Benefit	118,070	-	160,844	157,592
Total	<u>\$ 349,018</u>	<u>\$ -</u>	<u>\$ 1,005,210</u>	<u>\$ 1,029,844</u>

Composition of Cash:

Money Market Account
Checking Account
Petty Cash

Total reporting entity

ARKANSAS CITY RECREATION COMMISSION
SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
REGULATORY BASIS
For The Year Ended June 30, 2015

Equity Fund Transfers	Ending Unencum- bered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
\$ -	\$ 203,062	\$ 27,992	\$ 231,054
-	121,322	3,473	124,795
<hr/>			
\$ -	\$ 324,384	\$ 31,465	\$ 355,849
<hr/>			

\$ 353,467
2,232
150

\$ 355,849

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2015

I. Summary of Significant Account Policies

Reporting entity

Arkansas City Recreation Commission is a municipal corporation governed by a five-member board. Two board members are appointed by USD No. 470, two are appointed by the City of Arkansas City and one is appointed by the other members. USD No. 470 is the tax levying authority for the Commission.

Basis of Presentation

These regulatory basis financial statements are presented in compliance with the cash-basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Cash disbursements are recognized when the cash balance of a fund is decreased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Arkansas City Recreation Commission has approved a resolution waiving the requirement from generally accepted accounting principles which allows the use of the regulatory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable and reservations of the fund balances are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes and compensated absences are not presented in the financial statements.

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2015

General Fixed Assets

General fixed assets are recorded as expenditures in the funds at the time of purchase. Such assets have not been capitalized in the general fixed asset group of accounts as required by generally accepted accounting principles.

No depreciation has been provided on general fixed assets.

Deposits

Cash balances pooled from all funds are considered in determining the amount and type of investment. All investments were in compliance with K.S.A. 12-1675. Deposits include checking accounts and interest bearing accounts.

	FDIC Insured	Depository Securities	Bank Balance	Carrying Amount	Funds At Risk
RCB Bank	\$250,000	\$1,169,156	\$421,983	\$355,699	\$0

The depository securities are collateral held under joint custody receipts issued by a third party bank and held under the name of the Arkansas City Recreation Commission. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Any concentration of credit risk is secured by depository securities.

Budgetary Information

Kansas statutes require that an annual operation budget be legally adopted for the general and employee benefit funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operation budget:

- A. Preparation of the budget for the succeeding calendar year on or before August 1st.
- B. Publication in local newspaper on or before August 15th of the proposed budget and notice of public hearing on the budget.
- C. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- D. Adoption of the final budget on or before August 25th

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2015

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments made during the year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitments, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

USD No. 470 budgets and collects tax money for the Recreation Commission under K.S.A. 12-1927. The money received by the District is apportioned to the Commission shortly after its receipt.

1. Leases

The Arkansas City Recreation Commission has a rent/lease agreement with the City of Arkansas City that currently expires December 15, 2015, with the option to extend the lease for an additional term of ten years.

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2015

<u>Description</u>	<u>2014-2015 Payments</u>
City property which includes: Recreation Center, Recreation Center Addition, Dow Recreation Complex	\$60,000

The following is a schedule of future minimum lease payments:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2016	\$ <u>25,508.00</u>

3. Maintenance Control

The Arkansas City Recreation Commission has agreed to reimburse USD 470's costs and expenses of maintaining, repairing, and operating the portion of the "Sports Complex" property used by ACRC in an amount not to exceed \$12,500 per annum.

I. Defined Benefit Pension Plan

Plan description. The Recreation Commission participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple employer defined benefit pension plan provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provision. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009, KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution of 5% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provision of section 414(h) of the Internal Revenue Code.

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2015

The State of Kansas is required to contribute the statutory employers' share.

Net Pension Liability. The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2013, which was rolled over to June 30, 2014. As of June 30, 2014 the net pension liability for KPERS was \$8,291,794,910. KPERS has determined the Recreation Center's proportionate share of the net pension liability is \$204,770 as of June 30, 2014. The complete actuarial valuation report including all actuarial assumptions and methods is publicly available on the website at www.kpers.org or can be obtained as described in the first paragraph above.

5. Compensated Absences

Sick Leave

Each full time employee receives twelve (12) paid sick days per year accumulative to one hundred twenty (120) days. Compensation for unused paid sick leave at the time of retirement shall be made on a pro rata basis based on the number of years of service, up to maximum of sixty (60) days. Separation, other than retirement, whether voluntary or involuntary, will not be entitled to payment for unused sick days.

Vacation Leave

Vacation time may be carried over from one year to the next (no more than two years total accrual at any time). Any accumulation in excess of two years vacation must be used within thirty days or it will be forfeited. Employees leaving employment due to retirement, disability, lay-off or death may be paid for any unused vacation prorated through last full calendar month of service. Employees discharged for cause or separating for any other reason other than those listed above shall receive no pro rata vacation pay.

The amount of liability for compensated absences has not been recognized.

6. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in the financial statement.

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2015

Skate Equipment

On June 2, 2009, the Board approved financing of skate equipment in the amount of \$64,900. The financing arrangement is for the City of Arkansas City to finance the purchase of the equipment. As disclosed in Note 3, the lease agreement between the City and the Recreation Commission has been extended to December 15, 2015 at a monthly rental of \$5,000 per month

Subsequent Events

Subsequent events were evaluated through January 19, 2016. There were no material subsequent events as of January 19, 2016.

ARKANSAS CITY RECREATION COMMISSION
SUMMARY OF EXPENDITURES-ACTUAL AND BUDGET
REGULATORY BASIS
For The Year Ended June 30, 2015

Schedule 1

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental type Funds:					
General	\$ 953,050	\$ -	\$ 953,050	\$ 872,252	\$ 80,798
Employee Benefit	165,550	-	165,550	157,592	7,958
Total	<u>\$ 1,118,600</u>	<u>\$ -</u>	<u>\$ 1,118,600</u>	<u>\$ 1,029,844</u>	<u>\$ 88,756</u>

ARKANSAS CITY RECREATION COMMISSION Schedule 2-A
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL & BUDGET
REGULATORY BASIS
For The Year Ended June 30, 2015
(With Comparative Actual Totals for the Prior Year Ended June 30, 2014)

	Prior Year Actual	Current Year		
		Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts				
Taxes	\$ 472,000	\$ 487,356	\$ 500,000	\$ (12,644)
Grants program	790	1,124	8,075	(6,951)
Interest	1,116	914	1,100	(186)
Carryover - Capital Savings	-	-	50,000	(50,000)
Reimbursed income	42,674	44,656	46,000	(1,344)
Registration fees - tournaments	33,767	22,144	33,500	(11,356)
Concessions	30,457	24,060	33,200	(9,140)
Rent	5,485	7,043	5,000	2,043
Memberships	89,084	86,463	93,000	(6,537)
Miscellaneous	255	1,269	500	769
Starting Cash	5,050	3,500	5,000	(1,500)
Aquatics	167,090	160,786	177,175	(16,389)
Sales - Merchandise	753	771	-	771
Insurance Payments	16,849	4,280	500	3,780
Total cash receipts	\$ 865,370	\$ 844,366	\$ 953,050	\$ (108,684)
Expenditures				
Personal services	\$ 540,476	\$ 526,999	\$ 547,500	\$ 20,501
Contractual services	142,618	156,700	153,100	(3,600)
General services	51,998	52,947	49,450	(3,497)
Capital outlay	24,656	6,520	5,500	(1,020)
Carryover funds	-	-	50,000	50,000
Facility & equipment maintenance	29,426	26,353	29,400	3,047
Associations	5,500	2,500	2,500	-
Recreation programs	90,333	65,966	76,200	10,234
Aquatics	35,102	34,267	39,400	5,133
Total expenditures	\$ 920,109	\$ 872,252	\$ 953,050	\$ 80,798
Receipts over (under) expenditures	\$ (54,739)	\$ (27,886)		
Unencumbered cash, beginning	285,687	230,948		
Prior year canceled encumbrances	-	-		
Unencumbered cash, ending	<u>\$ 230,948</u>	<u>\$ 203,062</u>		

ARKANSAS CITY RECREATION COMMISSION Schedule 2-A
EMPLOYEE BENEFIT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL & BUDGET
REGULATORY BASIS
For The Year Ended June 30, 2015
(With Comparative Actual Totals for the Prior Year Ended June 30, 2014)

	Prior Year Actual	Current Year			Variance Favorable (Unfavorable)
		Actual	Budget		
Cash Receipts					
Taxes	\$ 166,078	\$ 160,844	\$ 165,550	\$ 4,706	
Total cash receipts	\$ 166,078	\$ 160,844	\$ 165,550	\$ 4,706	
Expenditures					
KPERS	\$ 24,899	\$ 28,374	\$ 26,520	(1,854)	
Health insurance	80,723	78,183	88,000	9,817	
Liability insurance	1,814	1,857	2,000	143	
Social security/Medicare	40,597	40,140	41,930	1,790	
Workman's compensation	6,173	8,608	6,500	(2,108)	
Unemployment	527	430	600	170	
Portion allocated to General	-	-	-	-	
Total Expenditures	\$ 154,733	\$ 157,592	\$ 165,550	\$ 7,958	
Receipts over (under) expenditures	\$ 11,345	\$ 3,252			
Unencumbered cash, beginning	106,725	118,070			
Prior year canceled encumbrances	-	-			
Unencumbered cash, ending	\$ 118,070	\$ 121,322			